Weekly Economic Review

More job losses to start the new year

Employment

Alberta's unemployment rate now exceeds the national average

Alberta's labour market continued shedding jobs for a fourth straight month, losing 10,000 in January 2016. The unemployment rate moved up to 7.4%, the highest rate since February 1996 and the first time since 1988 that Alberta's rate surpassed the national average (Chart 1). Losses were limited to the private sector, which cut 25,900 jobs, the largest monthly drop on record. Public sector employment (+8,400) and self-employment (+7,400) both increased. At the industry level, service sector gains (5,500) were insufficient to offset losses in the goods sector (-15,500). The largest drops were in the manufacturing (-11,800) and agriculture (-7,800) sectors. Canada's unemployment rate ticked up to 7.2%.

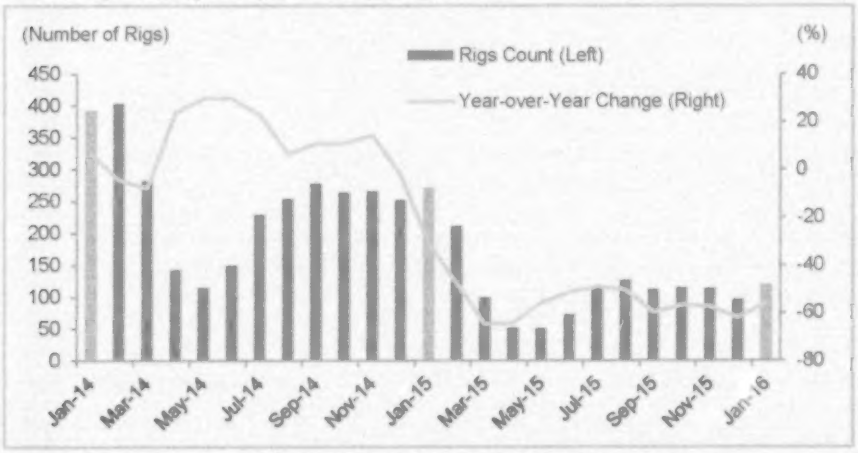
Chart 1: Unemployment on the rise at outset of 2016

Unemployment rates in Alberta and Canada

Source: Statistics Canada

Chart 2: Rigs count still at record low

Alberta rigs drilling and year-over-year growth



Source: Canadian Association of Oilwell Drilling Contractors

Rigs Drilling

Drilling off to weak start in 2016

After a tough 2015 in which Alberta's average monthly rigs count declined 53% y/y, drilling remained weak into the new year. There were 120 rigs drilling in Alberta in January, down 56% y/y. Due to seasonality, drilling activity usually picks up in January but persistently low oil prices have pushed monthly drilling activity to record lows. Only 23% of available rigs were in use, less than half the rate being used in January 2015. Drilling remains weak across Canada, with the number of active oil rigs down 47% y/y and natural gas rigs down 46%.

Metres Drilled

More cuts by oil and gas drillers

Metres drilled for oil and gas in Alberta were down 49% y/y in November. Producers continued cutting metres drilled for oil (-58% y/y) due to persistently low and volatile prices. Conventional drilling – which accounts for two-thirds of total meters drilled – remained the hardest hit, down 59% y/y. After a brief pick up in late-summer, metres drilled for bitumen fell further, down 54% y/y. A combination of low prices, plentiful inventories and relatively weak demand have also discouraged drilling for natural gas, which was down 36% y/y.

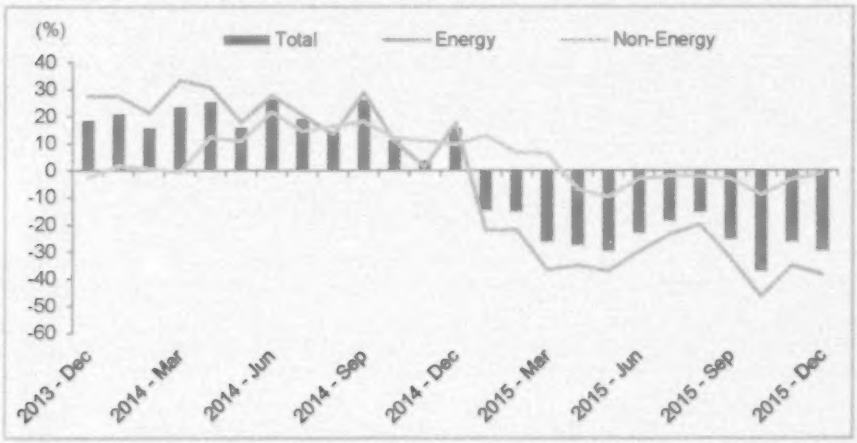
Railcar Loadings

Agriculture props up rail shipments

There were 156,382 railcars loaded in Western Canada during November, up 3.4% year-over-year. Rail shipping was supported by agricultural products (11.7% y/y), which accounted for nearly a third of total car loadings. After picking up in the second quarter alongside oil prices, crude car loadings have slowed and were down 5.7% y/y. Coal shipments were also weak (-5.1% y/y). Despite the upward trend since mid-2015 - owing to strong agricultural shipments - earlier weakness has kept total railcar loadings down 1.8% year-to-date.

Chart 3: Weakness in exports persists

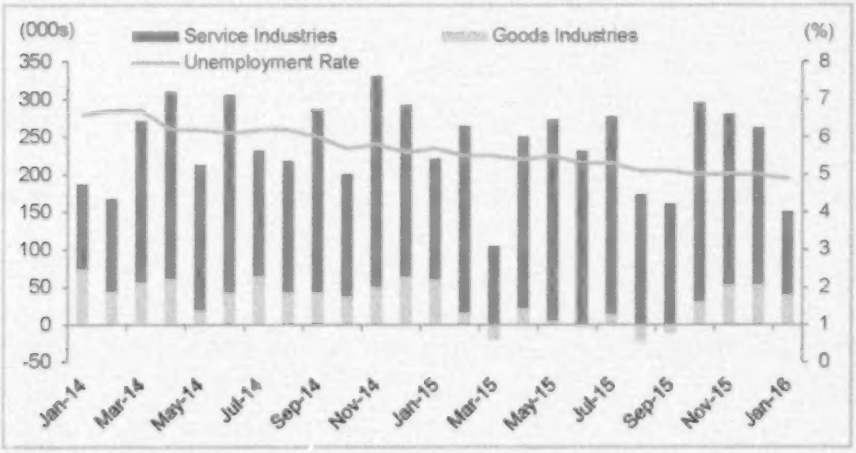
Year-over-year change in Alberta international merchandise trade



Source: Statistics Canada

Chart 4: US job market loses some momentum at start of 2016

Monthly change in US employment and unemployment rate



Source: US Bureau of Labor Statistics

Merchandise Trade

Exports still relatively low

Alberta's international goods exports totaled $7.3 billion in December, down 30% y/y (Chart 3). The value of energy exports, which accounted for 67% of total exports, declined by 38% y/y as a result of low oil prices. However, the actual volume of crude exports was still up 2.1% y/y. Compared to the prior month, the value of energy exports rose by nearly $700 million. Non-energy exports were down 1.1% y/y with persistent weakness in industrial machinery as well as metal and non-metallic mineral products. Exports were down 24% in 2015, mostly due to lower oil prices. Energy exports declined 32% despite the volume of crude exports rising 11%.

US Employment

Slowed job growth to start the year

The US labour market had a modest start to 2016, adding 151,000 jobs in January (Chart 4). Services industries were the main job creators - accounting for 78% of new employment - led by retail trade, leisure and hospitality and financial services. Goods producing industries added 40,000 jobs, mostly in the manufacturing (+29,000) and construction (+18,000) sectors. In contrast, the mining industry extended its job loss streak to sixteen months as energy producers continued curtailing operations in response to persistently low oil and gas prices. The unemployment rate fell 0.1 percentage points to 4.9%, its lowest level since November 2007. On the other hand, both the number of long-term unemployed (+4,000 workers) and the average duration of unemployment (+1.3 weeks) increased compared to the previous month.

Contact

Micah Brown 780.427.8345

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.